

SANDSTONE CHARTER TOWNSHIP

JACKSON COUNTY - MICHIGAN

FINANCIAL STATEMENTS

Year Ended March 31, 2008

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Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF
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PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.**

INDEPENDENT AUDITOR'S REPORT

Township Board
Sandstone Charter Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandstone Charter Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sandstone Charter Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandstone Charter Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sandstone Charter Township's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dove & Hickey, PLC

September 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

SANDSTONE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Sandstone Charter Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The Township received approximately \$67,400 of revenue this year because of the Sec 425 agreement the Township has with the Village of Parma.
- The Township was able to transfer \$7,091 to the Public Improvement Fund to earmark these funds for future capital outlay purchases.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Sandstone Charter Township as a Whole

The following table shows a condensed format of the net assets as of March 31, 2008 and 2007.

	GOVERNMENTAL ACTIVITIES	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current and Other Assets	\$ 789,758	\$ 694,223
Non-current - Capital Assets	<u>448,902</u>	<u>473,254</u>
TOTAL ASSETS	<u>1,238,660</u>	<u>1,167,477</u>
LIABILITIES		
Other liabilities	<u>11,543</u>	<u>15,709</u>
TOTAL LIABILITIES	<u>11,543</u>	<u>15,709</u>
NET ASSETS		
Invested in capital assets - Net of related debt	448,902	473,254
Restricted	9,000	9,000
Unrestricted	<u>769,215</u>	<u>669,514</u>
TOTAL NET ASSETS	<u>\$1,227,117</u>	<u>\$1,151,768</u>

The Township's combined net assets for governmental activities total \$1,227,117 for the fiscal year 2008. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$457,902. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$769,215.

The following table shows the change in net assets for the year ended March 31, 2008 and 2007.

	GOVERNMENTAL ACTIVITIES	
	<u>2008</u>	<u>2007</u>
REVENUE		
Program revenue:		
Charges for services	\$ 32,310	\$ 42,431
Capital grants and contributions	-0-	13,584
General Revenue:		
Property taxes	299,212	283,732
State-shared revenues	223,772	222,119
Contributions from local units	67,475	41,693
Interest	35,215	26,222
Cable franchise fees	<u>3,175</u>	<u>3,970</u>
TOTAL REVENUE	<u>661,159</u>	<u>633,751</u>
EXPENSES		
General government	230,073	223,198
Public Safety	286,357	281,439
Public Works	41,090	40,000
Community and economic development	27,561	48,862
Recreation and culture	<u>729</u>	<u>1,104</u>
TOTAL EXPENSES	<u>585,810</u>	<u>594,603</u>
CHANGE IN NET ASSETS	<u>\$ 75,349</u>	<u>\$ 39,148</u>

Governmental Activities

Governmental activities are those activities (such as police and fire protection and road improvement) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$585,810 for the fiscal year 2008. Additionally, revenues for governmental activities totaled \$661,159, which netted to an increase in net assets for the fiscal year of \$75,349.

The Township's Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$778,215, an increase of \$99,701 in comparison with the prior year. Approximately three quarters of this total amount (\$617,884) constitutes unreserved fund balance, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for purchase of capital improvements (\$151,331), or 2) to generate income to pay for the perpetual care of the Township's cemeteries (\$9,000).

Budgetary Highlights

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year. There were no budget amendments during the year.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual revenue positive variance was \$134,465.
- The actual expenditures positive variance was \$54,987.
- The actual transfers out positive variance was \$2,909.
- The actual combined positive variance was \$192,361.

Capital Asset

At the end of the fiscal year 2008, the Township had \$448,902 invested in capital assets (land, buildings, and equipment, net of accumulated depreciation). These assets are necessary to carry out the day-to-day operations of the Township.

Economic Factors and Next Year's Budgets and Rates

The State economy will most likely continue to be depressed in 2009. Therefore it is anticipated that the State Revenue Sharing will continue to decrease. However, Sandstone Charter Township does not expect to cut any services currently provided. The current revenue sharing short fall can be covered with existing Township funds.

The fire millage is generating adequate funds to pay the Township's portion of the fire and rescue operational expenses plus build funds for future equipment needs.

Subsequent to March 31, 2008 the Township voters approved a public safety millage of .5 mills for 5 years to help subsidize the Township's share of support for police services.

The Township anticipates that the Parma Local Development Finance Authority will continue to refund excess captured taxes and prepared the 2008/2009 budget using this revenue to fund Township services.

Mortgage fore-closers have continued to increase and have a negative impact on the housing market resale values. This may eventually impact the taxable base in the Township even though the County pays the delinquent taxes to the Township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact Sandstone Charter Township's supervisor.

SANDSTONE CHARTER TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 555,167
Receivables:	
Taxes	19,342
Other	801
Due from other governmental units	33,790
Prepaid expenditures	180,658
Capital assets - net	<u>448,902</u>
Total assets	<u>1,238,660</u>
<u>LIABILITIES:</u>	
Accounts payable	9,381
Accrued liabilities	<u>2,162</u>
Total liabilities	<u>11,543</u>
<u>NET ASSETS:</u>	
Invested in capital assets - net of related debt	448,902
Restricted:	
Perpetual care	9,000
Unrestricted	<u>769,215</u>
Total net assets	<u>\$1,227,117</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
GOVERNMENTAL				
ACTIVITIES:				
General government	\$ 230,073	\$ 8,042	\$ -0-	\$ -0-
Public Safety	286,357	18,708	-0-	-0-
Public works	41,090	-0-	-0-	-0-
Community and economic				
development	27,561	5,560	-0-	-0-
Recreation and culture	<u>729</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental				
activities	\$ <u>585,810</u>	\$ <u>32,310</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

GENERAL REVENUES:

Property taxes
State-shared revenues
Contributions from Local Unit
Investment earnings
Cable franchise fees
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING
OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense)
Revenue
and Changes
in Net Assets

Governmental
Activities

(\$222,031)
(267,649)
(41,090)
(22,001)
(729)

(553,500)

299,212
223,772
67,475
35,215
3,175
628,849

75,349

1,151,768

\$1,227,117

SANDSTONE CHARTER TOWNSHIP
BALANCE SHEET -
GOVERNMENTAL FUNDS
March 31, 2008

	General Fund	Fire Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 389,694	\$ -0-	\$ 151,331	\$ 14,142	\$ 555,167
Receivables:					
Taxes	7,679	11,663	-0-	-0-	19,342
Other	801	-0-	-0-	-0-	801
Due from other governmental units	33,790	-0-	-0-	-0-	33,790
Prepaid expenditures	<u>-0-</u>	<u>180,658</u>	<u>-0-</u>	<u>-0-</u>	<u>180,658</u>
Total assets	<u>\$ 431,964</u>	<u>\$ 192,321</u>	<u>\$ 151,331</u>	<u>\$ 14,142</u>	<u>\$ 789,758</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Accounts payable	\$ 8,901	\$ -0-	\$ -0-	\$ 480	\$ 9,381
Accrued liabilities	<u>2,162</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,162</u>
Total liabilities	<u>11,063</u>	<u>-0-</u>	<u>-0-</u>	<u>480</u>	<u>11,543</u>
Fund balances:					
Reserved for:					
Public improvement	-0-	-0-	151,331	-0-	151,331
Perpetual care	-0-	-0-	-0-	9,000	9,000
Unreserved, reported in:					
Major Funds	420,901	192,321	-0-	-0-	613,222
Non-major Special Revenue funds	-0-	-0-	-0-	2,152	2,152
Non-major Permanent fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,510</u>	<u>2,510</u>
Total fund balances	<u>420,901</u>	<u>192,321</u>	<u>151,331</u>	<u>13,662</u>	<u>778,215</u>
Total liabilities and fund balances	<u>\$ 431,964</u>	<u>\$ 192,321</u>	<u>\$ 151,331</u>	<u>\$ 14,142</u>	<u>\$ 789,758</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
March 31, 2008

Fund balances - total Governmental funds	\$ 778,215
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>448,902</u>
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Net assets of governmental activities	<u>\$1,227,117</u>
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See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended March 31, 2008

	General Fund	Fire Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes and penalties	\$ 114,095	\$ 192,401	\$ -0-	\$ -0-	\$ 306,496
Licenses and permits	8,779	-0-	-0-	18,708	27,487
State sources	220,965	-0-	-0-	-0-	220,965
Contributions from local units	67,475	-0-	-0-	-0-	67,475
Interest	25,836	-0-	8,945	435	35,216
Other revenues	<u>3,520</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,520</u>
Total revenues	<u>440,670</u>	<u>192,401</u>	<u>8,945</u>	<u>19,143</u>	<u>661,159</u>
EXPENDITURES:					
Current:					
General government	215,123	-0-	-0-	-0-	215,123
Public safety	65,253	188,062	-0-	22,341	275,656
Public Works	-0-	-0-	41,090	-0-	41,090
Community and economic development	27,561	-0-	-0-	-0-	27,561
Recreation and culture	729	-0-	-0-	-0-	729
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>1,299</u>	<u>-0-</u>	<u>1,299</u>
Total expenditures	<u>308,666</u>	<u>188,062</u>	<u>42,389</u>	<u>22,341</u>	<u>561,458</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>132,004</u>	<u>4,339</u>	<u>(33,444)</u>	<u>(3,198)</u>	<u>99,701</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-0-	-0-	7,091	-0-	7,091
Operating transfers (out)	<u>(7,091)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(7,091)</u>
Total other financing sources (uses)	<u>(7,091)</u>	<u>-0-</u>	<u>7,091</u>	<u>-0-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	124,913	4,339	(26,353)	(3,198)	99,701
FUND BALANCES - BEGINNING OF YEAR	<u>295,988</u>	<u>187,982</u>	<u>177,684</u>	<u>16,860</u>	<u>678,514</u>
FUND BALANCES - END OF YEAR	<u>\$ 420,901</u>	<u>\$ 192,321</u>	<u>\$ 151,331</u>	<u>\$ 13,662</u>	<u>\$ 778,215</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
March 31, 2008

Net change in fund balance - total Governmental funds	\$ 99,701
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets reported as part of governmental activities	<u>(24,352)</u>
Changes in net assets of governmental activities	\$ <u>75,349</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sandstone Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sandstone Charter Township.

Reporting Entity

Sandstone Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Joint Ventures

Fire and Police Boards

The Township and Parma Township, and the Village of Parma have entered into an intergovernmental agreement to operate, fund and maintain the Parma-Sandstone Fire Department. The Board is composed of seven members, two each from the Township, Parma Township, and the Village of Parma, plus a member at large from the community. The agreement was substantially revised February 28, 2006, effective for the year ended March 31, 2008. Assets acquired prior to the revision remain jointly owned by the participating municipalities. The funding for the Fire Department's operations and capital outlay is allocated between the Township and Parma Township based upon the proportionate share of taxable values of the preceding years ad valorem and industrial facilities tax rolls.

The Township, Parma Township, and the Village of Parma support and govern the Parma-Sandstone Police Board. The Parma-Sandstone Police Board is administered and employees are paid by the Village of Parma. Thirty-five percent of police operating expenses, which are the Township's portion, are included in these financial statements.

Local Development Finance Authority

The Parma Village Local Development Finance Authority (LDFA) which was created pursuant to the provisions of Public Act 281 of 1986, is governed by an eleven (11) member board, which consists of five (5) representatives appointed by the Village of Parma, three (3) representatives appointed by Sandstone Charter Township, two (2) representatives of Western School District, and one (1) each appointed by the County of Jackson and Jackson Community College. All financial operations of the LDFA are included in the Village of Parma's financial statements.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Development Finance Authority (Continued)

The Township conditionally transfers to the Village of Parma jurisdiction over the district area until December 31, 2021. The LDFA captures property taxes within the district over the initial assessed value of the same property (assessed value at the time of the LDFA's creation), multiplied by the millage rates (operating only) of all applicable units of government. The captured property taxes in excess of expenditures are disbursed proportionally to the tax units based on their millage rates, except for the Village of Parma and the Township. The excess attributable to the Village and the Township is divided 50 percent to the Village and 50 percent to the Township for the duration of the contract. The total excess received for the year ended March 31, 2008 by the Township was \$79,843, of which \$67,475 is reported in the financial statements as contributions from local units and the remaining \$12,368 as tax revenues.

Complete financial statements of the joint ventures can be obtained from the Village of Parma, P.O. Box 127, Parma, MI 49269.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for all activities funded by the property taxes received under a specially voted millage.

Public Improvement Fund - The Public Improvement Fund is used to account for revenues and expenditures for public improvements.

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled approximately \$136,902,600 on which ad valorem taxes levied consisted of .7929 mills for operating and 1.2042 for fire protection purposes. This resulted in \$108,550 for operating and \$164,858 for fire protection. These amounts are recognized in the General Fund and Fire Fund, respectively.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Prepaid Expenditures - The Township entered into an intergovernmental agreement with the Township of Parma and the Village of Parma to fund the operations and maintenance of the Parma-Sandstone Fire Department. As part of this agreement the Township agreed to transfer all specially voted fire protection millage collected to the Village. The amount transferred to the Village is reported as prepaid expenditures, since this represents the majority of the Township's contribution to the Parma-Sandstone Fire Department operations and maintenance budgeted for the next fiscal year.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years
Joint Fire Department assets	5 to 40 years

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board 120 days prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

3. DEPOSITS AND INVESTMENTS (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$562,212 of deposits (checking accounts and CD's), of which \$140,954 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

4. INTERFUND TRANSFERS

Interfund transfers reported in the fund financial statements for the year ended March 31, 2008, are as follows:

	<u>Transfers out</u>
	<u>General Fund</u>
Transfers in:	
Public Improvement Fund	\$ <u>7,091</u>

The interfund transfer from the General Fund to the Public Improvement Fund is to set aside non-tax revenues for future purchases of capital outlay assets.

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

5. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 104,049	\$ -0-	\$ -0-	\$ 104,049
Joint Fire Department land	<u>5,000</u>	<u>-0-</u>	<u>-0-</u>	<u>5,000</u>
Total capital assets not being depreciated	<u>109,049</u>	<u>-0-</u>	<u>-0-</u>	<u>109,049</u>
Capital assets being depreciated:				
Buildings and improvements	310,620	-0-	-0-	310,620
Furniture and equipment	135,708	-0-	-0-	135,708
Joint Fire Department assets	<u>278,759</u>	<u>-0-</u>	<u>-0-</u>	<u>278,759</u>
Total capital assets being depreciated	<u>725,087</u>	<u>-0-</u>	<u>-0-</u>	<u>725,087</u>
Less: accumulated depreciation:				
Buildings and improvements	65,239	6,503	-0-	71,742
Furniture and equipment	105,771	7,248	-0-	113,019
Joint Fire Department assets	<u>189,872</u>	<u>10,601</u>	<u>-0-</u>	<u>200,473</u>
Total accumulated depreciation	<u>360,882</u>	<u>24,352</u>	<u>-0-</u>	<u>385,234</u>
Total capital assets being depreciated - net	<u>364,205</u>	<u>(24,352)</u>	<u>-0-</u>	<u>339,853</u>
Total capital assets - net	\$ <u>473,254</u>	(\$ <u>24,352</u>)	\$ <u>-0-</u>	\$ <u>448,902</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 13,652
Public Safety	<u>10,701</u>
Total governmental activities	\$ <u>24,352</u>

SANDSTONE CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

6. RISK MANAGEMENT

Sandstone Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

REQUIRED SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Taxes and penalties	\$ 101,000	\$ 101,000	\$ 114,095	\$ 13,095
Licenses and permits	8,105	8,105	8,779	674
State sources	180,100	180,100	220,965	40,865
Contributions from local units	10,000	10,000	67,475	57,475
Interest	7,000	7,000	25,836	18,836
Other revenues	<u>-0-</u>	<u>-0-</u>	<u>3,520</u>	<u>3,520</u>
Total revenues	<u>306,205</u>	<u>306,205</u>	<u>440,670</u>	<u>134,465</u>
EXPENDITURES:				
General government:				
Township Board	55,000	55,000	49,685	5,315
Supervisor	50,000	50,000	46,788	3,212
Elections	5,000	5,000	4,703	297
Clerk	65,000	65,000	56,889	8,111
Board of Review	3,000	3,000	2,246	754
Treasurer	40,000	40,000	38,535	1,465
Cemetery	3,200	3,200	3,200	-0-
Township Hall	20,000	20,000	13,077	6,923
Public Safety:				
Police Department	68,053	68,053	65,253	2,800
Community and economic development:				
Planning commission	50,000	50,000	27,561	22,439
Recreation and culture:				
Parks	400	400	-0-	400
Library	1,000	1,000	729	271
Other	<u>3,000</u>	<u>3,000</u>	<u>-0-</u>	<u>3,000</u>
Total expenditures	<u>363,653</u>	<u>363,653</u>	<u>308,666</u>	<u>54,987</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(57,448)</u>	<u>(57,448)</u>	<u>132,004</u>	<u>189,452</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(7,091)</u>	<u>2,909</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(7,091)</u>	<u>2,909</u>
NET CHANGE IN FUND BALANCE	(67,448)	(67,448)	124,913	192,361
FUND BALANCE - BEGINNING OF YEAR	<u>251,397</u>	<u>295,988</u>	<u>295,988</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>183,949</u>	\$ <u>228,540</u>	\$ <u>420,901</u>	\$ <u>192,361</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
Year Ended March 31, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ <u>176,268</u>	\$ <u>188,100</u>	\$ <u>192,401</u>	\$ <u>4,301</u>
Total revenues	<u>176,268</u>	<u>188,100</u>	<u>192,401</u>	<u>4,301</u>
EXPENDITURES:				
Public Safety:				
Fire Department	<u>176,268</u>	<u>188,100</u>	<u>188,062</u>	<u>38</u>
Total expenditures	<u>176,268</u>	<u>188,100</u>	<u>188,062</u>	<u>38</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	4,339	4,339
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>187,982</u>	<u>187,982</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u><u>-0-</u></u>	\$ <u><u>187,982</u></u>	\$ <u><u>192,321</u></u>	\$ <u><u>4,339</u></u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - PUBLIC IMPROVEMENT FUND
Year Ended March 31, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Interest	\$ <u>6,000</u>	\$ <u>6,000</u>	\$ <u>8,945</u>	\$ <u>2,945</u>
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>8,945</u>	<u>2,945</u>
EXPENDITURES:				
Capital outlay	<u>183,684</u>	<u>183,684</u>	<u>42,389</u>	<u>141,295</u>
Total expenditures	<u>183,684</u>	<u>183,684</u>	<u>42,389</u>	<u>141,295</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(177,684)</u>	<u>(177,684)</u>	<u>(33,444)</u>	<u>144,240</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>25,000</u>	<u>25,000</u>	<u>7,091</u>	<u>(17,909)</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>7,091</u>	<u>(17,909)</u>
NET CHANGE IN FUND BALANCE	(152,684)	(152,684)	(26,353)	126,331
FUND BALANCE - BEGINNING OF YEAR	<u>152,684</u>	<u>177,684</u>	<u>177,684</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>-0-</u>	\$ <u>25,000</u>	\$ <u>151,331</u>	\$ <u>126,331</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2008

	Non-Major Special Revenue Funds Building Department	Permanent Fund Cemetery	Total Non-Major Governmental Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ <u>2,632</u>	\$ <u>11,510</u>	\$ <u>14,142</u>
Total assets	\$ <u>2,632</u>	\$ <u>11,510</u>	\$ <u>14,142</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts payable	\$ <u>480</u>	\$ <u>-0-</u>	\$ <u>480</u>
Total liabilities	<u>480</u>	<u>-0-</u>	<u>480</u>
Fund balance:			
Reserved for:			
Perpetual care	-0-	9,000	9,000
Unreserved	<u>2,152</u>	<u>2,510</u>	<u>4,662</u>
Total fund balance	<u>2,152</u>	<u>11,510</u>	<u>13,662</u>
Total liabilities and fund balances	\$ <u>2,632</u>	\$ <u>11,510</u>	\$ <u>14,142</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2008

	Non-Major Special Revenue <u>Funds</u> Building <u>Department</u>	Permanent <u>Fund</u> Cemetery	Total Non-Major Governmental <u>Funds</u>
REVENUES:			
Licenses and permits	\$ 18,708	\$ -0-	\$ 18,708
Interest	<u>-0-</u>	<u>435</u>	<u>435</u>
Total revenues	<u>18,708</u>	<u>435</u>	<u>19,143</u>
EXPENDITURES:			
Public Safety:			
Building inspections	<u>22,341</u>	<u>-0-</u>	<u>22,341</u>
Total expenditures	<u>22,341</u>	<u>-0-</u>	<u>22,341</u>
NET CHANGE IN FUND BALANCE	(3,633)	435	(3,198)
FUND BALANCE - BEGINNING OF YEAR	<u>5,785</u>	<u>11,075</u>	<u>16,860</u>
FUND BALANCE - END OF YEAR	\$ <u>2,152</u>	\$ <u>11,510</u>	\$ <u>13,662</u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.**

September 12, 2008

Board of Trustees
Sandstone Charter Township
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandstone Charter Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Sandstone Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal control while making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

Dove & Hickey, P.L.C.